

WARNING-UNAPPROVED MINUTES

These minutes have not been reviewed or accepted by the RISLA Board of Directors. This draft is being supplied in order to be in compliance with the State Open Meetings Law. Board approved minutes will be submitted when available.

The 257th meeting of the Rhode Island Student Loan Authority was held on **Monday, July 7, 2008** in the 2nd floor Conference Room, 560 Jefferson Boulevard, Warwick, Rhode Island. Dr. Anthony Santoro called the meeting to order at 2:07 P.M.

Board Members in attendance:

Dr. Anthony Santoro
Dr. William Croasdale
Dr. Robert McKenna
Mr. Frank Caprio, General Treasurer

Board Members absent:

Ms. Patti Doyle
Mr. John Howell

Others in attendance:

Mr. Charles P. Kelley, Executive Director, RISLA
Mr. Joseph Palumbo, Attorney
Mr. Kevan McAleer, RISLA
Mr. David Souto, RISLA
Mr. Chad Pastorius, RISLA
Ms. Gail Walker, RISLA
Ms. Lindie Thibodeau, RISLA
Mr. Greg Silvia, RIHEAA
Mr. Xay Khamsyvoravong, Treasurer's Office
Mr. Peter Kerwin, Treasurer's Office

Items #1 & #2 – Chairman and Executive Director's Reports

Dr. Santoro stated that there were no minutes to approve at today's meeting. The reason for this meeting is to decide to extend the back end borrower benefits. Mr. Kelley stated that the guarantors are driving this. Dr. Santoro distinctly remembers that it was decided not to pay the default fee we had been paying. Mr. Kelley stated that the problem is how much money we can raise with State Street and Dexia deals. The Federal government will allow us to sign up to sell loans to them and that will afford us to make as many loans as we want. The regulations from the Department of Education states that we cannot sell loans if they have back end borrower benefits if they are greater than the Federal government allows. RISLA has approved back end borrower benefits so if we want to use the federal government loans, we will have to take back the back end borrower benefits.

Items # 3 & #4 – Financing Plans for Federal Loans / Borrower Benefits

Dr. Santoro stated that this raises an issue we haven't discussed before...how do we judge success for this agency? Is it by the number of loans or the quality of loans we make? Has this bothered anyone before? Dr. McKenna stated that the agency exists to benefit the students of Rhode Island and provide them the opportunity to attend higher education. Dr. Santoro asked do we make better loans to RI students

attending only Rhode Island schools or.... Dr. McKenna interjected that where a RI student attends school should be *their* decision. Dr. Santoro stated that he was raising the issue – if we continue to do what we’re doing, we will all be direct lenders in the future.

Mr. Kelley offered to give a backdrop of the situation. Congress cut the spread on student loans in half, and that cut the benefits in half, back in the January/February time frame. In February the financial markets seized up. RISLA already had financing in place before the breakup of the markets, so they were in pretty good shape. The Federal government put together a program to provide backup for groups like ours trying to predict the volume for this year. The State Street and Dexia deals are moving forward, but this would be a belt and suspenders deal. It would be dangerous not to have a backup and this can provide that. It would be like a line of credit to make new loans. This is NOT permanent financing – we could sell loans to the Federal government, with a September 30, 2009 deadline. We do NOT have to use the line of credit if it is not needed.

Dr. Santoro asked if we could sell on September 29th for 09-10 year and Mr. Kelley stated yes. Dr. Croasdale asked about summer school loans and Mr. Kelley said most of those are already disbursed, those are out. Nurses, teachers, pharmacists programs would be out. Dr. Croasdale asked if September 30th will cover summer school next year. Mr. Kelley stated the sale date is through September 30th, but must be disbursed prior to that, so no, fall 2009 is not covered.

Dr. Croasdale asked who sponsored this and Mr. Kelley responded that it was the Department of Education and Congress (Education Subcommittee). Dr. Croasdale asked if there would be limits in the loans we can give. Mr. Kelley stated that we would have to provide at least \$50 million in loans. A few smaller state non-profit agencies have contacted Mr. Kelley and stated that they would be interested in partnering with us on this, as they don’t feel they’d be able to reach the \$50 million minimum.

Dr. Santoro asked about servicing the agreements. Mr. Kelley stated that if we sell loans to the Federal government, that the Federal government determines who services those loans. Students could end up getting two bills, but this is being petitioned in Washington, DC. The Department said they may consider current servicers. Mr. Kelley stated that with PLUS Loans the Federal government direct loan rates is 7.9% and the regular rate on FFELP is 8.5%. Schools would go to direct lending to get the 7.9% rate. We do much less in PLUS Loans than in STAFFORD Loans.

Dr. Santoro asked Mr. Palumbo if there was any way to put a disclaimer in, to target loans to certain people, like nursing loans. Mr. Kelley stated that the challenge would be that a student may say that they are going in to nursing and then not go into it. Juniors and Seniors would be a different story – CCRI, RIC and Salve might be a nice way to go. They could keep teaching and nursing back end borrower benefits for them. Dr. Santoro stated that “there you have it”.

Mr. Kelley stated that the school certifies the loan and then it goes to RIHEAA and RISLA electronically. Mr. Palumbo stated that there may be people in the pipeline but they are not guaranteed yet, but they could opt out. Mr. Kelley stated that any loans we get we could send a letter saying benefits are going to be this not that and you can opt out.

Dr. Santoro asked if there is anyone who is NOT going to participate in the Federal program? Mr. Kelley stated that this is a big concern with state based groups. Many don’t have enough money to make loans and then get them reimbursed by the government - Mr. Simpson stated that there is a 2-7 day lag before getting reimbursed. Mr. Kelley stated that the following state loan agencies have stopped issuing either new federally backed or private loans this year: Indiana, Iowa, Kentucky, Massachusetts, Michigan, Missouri, Montana, New Hampshire and Pennsylvania.

ON MOTION duly made by Mr. Caprio and seconded by Dr. McKenna, it was unanimously

VOTED to discontinue all borrower benefits except those that are currently being provided by the Federal government for the academic 08/09 year, effective on those loans that are certified/guaranteed by the school on or after July 15, 2008.

Mr. Kelley stated that RISLA is currently shooting film for a TV commercial up on the campus of Brown University and that it's going well so far.

Dr. Santoro asked if the Board felt it was necessary to meet over this issue, as opposed to just the Financial Subcommittee meeting and everyone agreed that this should be a full Board discussion.

Dr. McKenna thanked staff and Board members for attending the meeting on such short notice.

ON MOTION duly made by Dr. McKenna and seconded by Mr. Caprio, it was unanimously

VOTED to adjourn.

Adjournment occurred at 2:44 P.M.

John Howell

Secretary